Planned Giving Is a Critical Component of Philanthropy

Planned Giving (sometimes called Gift Planning or Legacy Giving), enables philanthropic individuals to make larger gifts to charitable organizations* than they could make from ordinary income.

Some planned gifts provide life-long income to donor. Other gift plans use estate and tax planning to provide for charity and heirs in ways that maximize the gift and/or minimize its impact on the donor's estate. While others can be simple charitable gifts through will or trust.

Thus, by definition, a planned gift is any major gift, made in lifetime or at death as part of a donor's overall financial and/or estate planning. These include gifts of equity, life insurance, real estate, personal property, or cash.

By contrast, gifts to the annual fund or for membership dues are made from a donor's discretionary income, and while they may be budgeted for, they are not planned.

Whether a donor uses cash, appreciated securities/stock, real estate, artwork, partnership interests, personal property, life insurance, a retirement plan, etc., the benefits of funding a planned gift can make this type of charitable giving very attractive to both donor and charity. **Planned gifts are a critical component in philanthropy.**

See our **Q&A pages** for technical information on these gift plans. Also, get an overview of **how planned gifts work** along with a video of each gift vehicle and donor profile for each gift. And finally, take this **interactive quiz to assess your planned giving readiness.**

What Are the Three Types of Planned Gifts?

- First, outright gifts that use appreciated assets as a substitute for cash;
- Second, gifts that return income or other financial benefits to the donor in return for the contribution;
- Third, gifts payable upon the donor's death.

Learn how these types of planned (and estate) gifts work. It is prudent to explain these giving vehicles to your donors on your "giving" or "donation" pages. It can easily be done with simple **planned giving pages or websites.**

What Gift Plans Pay Income for Life to Donors?

Charitable gift annuities make fixed payments, starting either when the gift is made (an immediate-payment gift annuity) or at a later date (a deferred or flexible gift annuity). Some organizations maintain pooled income funds, which commingle donations, pay beneficiaries variable depending on the earnings of the fund, and generally operate like a charitable mutual fund. Charitable remainder unitrusts and annuity trusts are individually managed trusts that pay the beneficiaries either a fixed percentage of trust income or a fixed dollar amount.

What Are the Tax Benefits of Planned Gifts?

- Donors can contribute appreciated property, like securities or real estate, receive a charitable deduction for the full market value of the asset, and pay no capital gains tax on the transfer.
- Donors who establish a life-income gift receive a tax deduction for the full, fair market value of the assets contributed, minus the present value of the income interest retained; if they fund their gift with appreciated property they pay no upfront capital gains tax on the transfer.
- Gifts payable to charity upon the donor's death, like a bequest or a beneficiary designation in a life insurance policy or retirement account, do not generate a lifetime income tax deduction for the donor, but they are exempt from estate tax.